Unknown

From: Marty Rutherford [marty_rutherford@dnr.state.ak.us]

Sent: Tuesday, January 23, 2007 7:59 AM

To: Sarah Palin

Cc: Tibbles; Michael A (GOV); Bitney; John W (LAA); Stapleton; Meghan N (GOV); Balash; Joseph R (GOV); Anders; Bruce F (DNR); Patrick S Galvin

Subject: Re: Fwd: re: from January 19th Edition of Alaska Budget Report

Governor,
I believe this VanMeurs' information was released in response to a public information request for SGDA documents we received from Ethan Berkowitz. Ethan had requested SGDA information from the Murkowski Administration and they had responded in a limited fashion. Once your administration took office Ethan resubmitted his request and the Depts of Law, Revenue and Natural Resources reviewed all the documents previously withheld under "deliberative process" and determined it appropriate to release about 60 additional documents into the public domain.
Should you wish additional information just let us know.
Marty R

Sarah Palin wrote:

G'morning.

Does anyone know if this VanMeurs' info was part of a transition report? Or was a release of VanMeur info some other document(s) given to the AK Budget Report? I was surprised to read this... it sounds totally accurate, but was surprised to see it so wondered where it came from.

thanks!

Scott Heyworth <heyworth@gci.net> wrote:

> Date: Mon, 22 Jan 2007 23:19:48 -0900
> From: Scott Heyworth <heyworth@gci.net>
> Subject: re: from January 19th Edition of Alaska Budget Report
> To: Scott R Heyworth <heyworth@gci.net>
>
> **this article was sent to me tonight.**
> **would you pay someone $2.1 million and not listen to them??**
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> **Van Meurs letter reveals misgivings about pipeline contract**
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> Documents released by the office of Gov. Sarah Palin reveal that the
> Murkowski
> administration's lead consultant on gas pipeline contract negotiations had serious concerns about the
> contract Murkowski's team negotiated.
> Pedro van Meurs, the $3,000-a-day consulting economist who became the
> administration's
> prime explicator and cheerleader for the contract, wrote a February 1, 2006
> memo outlining
> "deficiencies in the January 26 draft of the Stranded Gas Contract."
> In the letter, addressed to Jim Clark, Murkowski's lead pipeline contract

negotiator, van Meurs
expressed his view that there are three major problems with the proposal. First, he cites
fiscal
stability:
"I believe we have gone completely over board on fiscal stability," writes the consultant.
"I
strongly believe that we need adequate fiscal stability to encourage the investment in
the pipeline.
Nevertheless, there is no need for the near absolute fiscal stability that the agreement
now contains.

**There is absolutely no need to treat Alaska as a banana republic in order to
secure the gas line."**
Van Meurs singled out as an example of **fiscal-certainty-gone-mad** the concept of
capping
municipal taxes: "The impact of variations in municipal taxes of general application on
the project
economics is negligible. Therefore, in my opinion municipalities should be free to tax as
they wish
and the Participants should pay these taxes without limit."
Van Meurs also objected to a provision in Section 9A of the contract allowing the
producers to
recoup money the state may owe the producers by withholding the state's in-kind gas.
**"This
provision is totally unnecessary and highly damaging to the interests of the
State."**
There is extremely low risk the state would not pay an outstanding bill, he says, and
that risk
can be addressed "by introducing a simple carry forward provision as is done in most
international
contracts."
Van Meurs notes that the whole contract rests on the notion that the state will improve
the
project economics by taking its gas in kind—this concept relies on the state's having a
reasonable
opportunity to market its gas.
"The current provisions in 9A now seriously undermine the entire economic concept of
the
contract. ... I believe that any notion of recoupment of the State's gas in kind should be
eliminated
from the contract."
Van Meurs' final concern related to the agreements governing the limited liability
companies
(LLCs) that were to build and operate the pipeline. The agreements were never
finalized and
presented to the public. The consultant's comments suggest a critical stumbling block
was the state's
inability to obtain a parent company guarantee. Van Meurs wrote:
"The early drafts of the State proposal included a Parent Company Guarantee in order
to
guarantee the implementation of the Contract by the producers, the LLC's in Alaska
and the lower
48 States and LP's in Canada." Absent such an agreement, he says, the contract
cannot be enforced
outside of Alaska.
To date, van Meurs wrote, there has been "zero progress" on such an agreement
among the
producers. "Without a parent company guarantee the Contract is not worth the paper it
is written on.

Companies can simply escape the work commitments and participation rights of the State because
the Alaska LLC's or Alaska producers have no control over the Canadian LP's or Lower 48 LLC's."
Van Meurs says it would be a "fundamental error" to finalize the contract without a parent
company guarantee in the contract.
While van Meurs is referring to an unreleased draft of the contract dated January 26, 2006, there
is little to suggest that his concerns were mitigated in the contract the administration released on
May 24. The cap on municipal taxes and the recoupment provisions remained in the contract, and
the contract did not include a parent company guarantee.
Asked about the letter in a **January 18, 2007 phone interview**, Jim Clark downplayed its
significance.
"In any contract I've ever negotiated there's always been things clients have found that they don't like
and they come back and say, 'fix this' or 'fix that,'" Clark said. "I was surprised that [with] the contract we ultimately put on the table May 24—457 pages—there were [so] few things
that people were concerned about." **(huh? Legislators and many others had few concerns?)**
Clark said the duration of fiscal stability was the chief concern among legislators, followed by a
desire to "beef up" work commitments.
Clark noted that the Senate Natural Gas Development Committee approved a measure that
would limit the duration of tax stability guarantees. "We felt that we had an appropriate period of
time but the whole thing was subject to the legislative review. ... So we as an administration were
prepared to negotiate a lesser time."
As for recoupment of gas in kind, Clark said van Meurs never liked the idea. The provisions
were devised by Dan Dickinson, a former Tax Division director who worked as a consultant with the
administration, Clark said. "Using recoupment to balance accounts seemed an expedited way," and
he said the state had an opportunity to contest recoupment it deemed inappropriate.
As for the parent company issues, Clark said the administration was looking to find alternative
means of resolving the problem van Meurs cited. "Of course we never resolved the LLC with
producers before time ran out."

Van Meurs worked under a contract with the Department of Revenue. As of January, 2006, he
had collected $2.1 million over the course of his multi-year contract.
In addition to his role in shaping Murkowski's proposed Stranded Gas Act contract, van Meurs
was the architect of the former governor's petroleum production tax (PPT) proposal.

Unknown

From: Patrick Galvin [patrick_galvin@revenue.state.ak.us]

Sent: Tuesday, January 23, 2007 8:24 AM

To: Sarah Palin; Tibbles; Michael A (GOV); Bitney; John W (LAA); Stapleton; Meghan N (GOV); Balash; Joseph R (GOV); Rutherford; Marty K (DNR); Anders; Bruce F (DNR)

Subject: RE: re: from January 19th Edition of Alaska Budget Report

I apologize for not having briefed you on this earlier. We didn't know if this would make much of a splash. The Van Mears letter was one of a large number of SGDA documents we released a couple weeks ago in response to a public information request.

On December 8, I received a letter from Rep. Ethan Berkowitz requesting a large number of documents associated with the SGDA that were withheld by the Murkowski Administration from a previous request made by the representative. Marty and I worked with the department of law and members of the gasline team to go through the previously withheld documents and identify any that could and should be released. Our review criteria was that documents should be released unless there was a specific legal reason it had to be withheld, or if the information would be potentially damaging to the state's negotiating position on oil and gas matters in the future. Following the review, we released 50 additional documents, some with confidential information redacted.

Under the SGDA, applicants could submit information and request that it be held confidential. Once the state deems the information confidential, certain legal restrictions kick in that limit the state's ability to publicly release the information. Other information withheld included analysis of the state's negotiating position on matters that are relevant beyond the SGDA contract. We also withheld confidential attorney-client communication, and information regarding Pt. Thomson subject to the on-going litigation.

In total, Rep. Berkowitz had requested 143 documents from the Murkowski Administration and 22 were released. He renewed his request to us, and we released 50 additional documents, including the Van Mears letter referenced in the article. Because of the number of withheld documents, we didn't make a big public showing of our response.

Please let me know if you would like additional information.

-Pat

From: Sarah Palin [mailto:govpalin@yahoo.com]
Sent: Tuesday, January 23, 2007 6:21 AM
To: mike_tibbles@gov.state.ak.us; John Bitney; Meghan Stapleton; joe_balash@gov.state.ak.us;

marty_rutherford@dnr.state.ak.us; bruce_anders@dnr.state.ak.us; Pat Galvin
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Unknown

From: Ivy Frye [Ivy_Frye@gov.state.ak.us]
Sent: Tuesday, January 23, 2007 1:05 PM
To: 'Sarah Palin'
Subject: Mike Kolivosky

Governor Palin,

I wanted to let you know that Mike Kolivosky passed away yesterday. You may know him from the Valley. If not, he was appointed under Gov Sheffield to a position in Public Safety. His wife is Melinda who works for Bill Tull and organizes the Palmer Pride parade every year (she's one of the MCs). I've sent notification to the constituent relations office.

Thanks,

Ivy Frye
Director, Boards and Commissions
Office of Governor Sarah Palin
ivy_frye@gov.state.ak.us
(907) 465-3500 office
(907) 465-8110 fax

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